

**IN THE UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

Case Name: COBALT INTERNATIONAL ENERGY, INC. ET AL⁽¹⁾
 Case Number: 17-36709 (MI)

Petition Date: December 14, 2017

**MONTHLY OPERATING REPORT SUMMARY FOR THE PERIOD
(\$ in thousands)**

	Jan 2018	Feb 2018
Revenues (MOR 6)	\$ 8,956	\$ 5,354
Loss before interest, DD&A (MOR 6)	\$ (266,629)	\$ 3,155
Net loss (MOR 6)	\$ (280,596)	\$ (5,791)
Payments to insiders (MOR 9)	\$ 1,095	\$ 401
Payments to professionals (MOR 9)	\$ 937	\$ 1,176
Total disbursements (MOR 8)	\$ 16,005	\$ 15,814

Required Insurance Maintained as of the Signature Date	Expiration Date
Commercial General Liability	Yes (X) No ()
Foreign Liability	Yes (X) No ()
Umbrella Liability	Yes (X) No ()
Excess Liability	Yes (X) No ()
Energy Package	Yes (X) No ()
US Property	Yes (X) No ()
Director & Officer	Yes (X) No ()

Attorney Name Chad J. Husnick and Brad Weiland
 Name Kirkland and Ellis LLP
 Address 300 N LaSalle
 City, State, Zip Chicago, IL 60654
 Telephone (312) 862-2000

Are all accounts receivable being collected within terms? **No**
 Are all post-petition liabilities, including taxes, being paid within terms? **Yes**
 Have any pre-petition liabilities been paid? **Yes**
 If so, describe Paid in accordance with First Day Orders (as defined herein) **Yes**
 Are all funds received being deposited into DIP bank accounts? **No**
 Were any assets disposed of outside the normal course of business? **No**
 If so, describe _____ **Yes**
 Are all U. S. Trustee Quarterly Fee Payments current? **Yes**
 What is the status of your Plan of Reorganization?
The Debtors filed an Fourth Amended Joint Chapter 11 Plan [Docket No. 561]

I certify under penalty of perjury that the following complete Monthly Operating Report Firm (MOR), consisting of MOR-1 through MOR-9 plus attachments, is true and correct to the best of my knowledge.

SIGNED David Powell **TITLE** Chief Financial Officer
 (Original Signature)

David D. Powell
 (Print name of signatory)

3/21/2018
 Date

⁽¹⁾ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Cobalt International Energy, Inc. (1169); Cobalt International Energy GP, L.L.C. (7374); Cobalt International Energy, L.P. (2411); Cobalt GOM L.L.C. (7188); Cobalt GOM # 1 L.L.C. (7262); and Cobalt GOM # 2 L.L.C. (7316). The Debtors' service address is: 920 Memorial City Way, Suite 100, Houston, Texas 77024. The jointly administered Debtors are authorized to file monthly operating reports on a consolidated basis.

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GLOBAL NOTES AND STATEMENTS OF LIMITATIONS AND DISCLAIMERS REGARDING THE DEBTORS' MONTHLY OPERATING REPORT

On December 14, 2017 (the "Petition Date"), Cobalt International Energy, Inc. certain of its affiliated debtors, as debtor- and debtors-in-possession, (collectively, the "Debtors") each filed voluntary petitions for relief (collectively, the "Chapter 11 Cases") under chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court"). The Debtors are operating their businesses and properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The Chapter 11 Cases have been consolidated for procedural purposes only and are being jointly administered pursuant to rule 1015(b) of the Federal Rule of Bankruptcy Procedure (the "Bankruptcy Rules") [Docket No. 33]. On December 21, 2017, the United States Trustee for the Southern District of Texas (the "United States Trustee") appointed an official committee of unsecured creditors pursuant to section 1107 of the Bankruptcy Court [Docket No. 117].

General Methodology

The Debtors are filing their consolidated monthly operating report (the "MOR") solely for purposes of complying with the reporting requirements of Bankruptcy Rule 2015, Bankruptcy Local Rules for the Southern District of Texas, and applicable guidelines promulgated by the United States Trustee. The financial information contained herein represents the financial information of the Debtors only. This financial information is preliminary, unaudited, limited in scope, and as discussed below, not prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The MOR should not be relied upon by any persons for information relating to current or future financial conditions, events, or performance of any of the Debtors or their affiliates, as the results of operations contained herein are not necessarily indicative of results which may be expected from any other period or for the full year, and may not necessarily reflect the consolidated results of operations, financial position, and schedule of receipts and disbursements in the future. There can be no assurance that such information is complete, and the MOR may be subject to revision. The following notes, statements, and limitations should be referred to, and referenced in connection with, any review of the MOR.

Basis of Presentation

The MOR is limited in scope, covers a limited time period, and has been prepared solely for the purpose of complying with the MOR requirements applicable to the Chapter 11 Cases as set forth herein. The unaudited financial statements have been derived from the books and records of the Debtors. The information presented herein has not been subject to all procedures that would typically be applied to financial information presented in accordance with GAAP. Upon the

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application of such procedures, the financial information could be subject to changes, and these changes could be material. The information furnished in this MOR includes normal recurring adjustments, but does not include all of the adjustments that would typically be made for interim financial statements in accordance with GAAP. Subsequent information or discovery may result in material changes to the MOR and errors or omissions may exist. Notwithstanding any such discovery, new information, or errors or omissions, the Debtors do not undertake any obligation or commitment to update this MOR.

Reporting Period

Unless otherwise noted herein, the MOR generally reflects the Debtors' books and records and financial activity occurring during the applicable reporting period. Except as otherwise noted, no adjustments have been made for activity occurring after the close of the reporting period.

Accuracy

The financial information disclosed herein was not prepared in accordance with federal or state securities laws or other applicable non-bankruptcy law or in lieu of complying with any periodic reporting requirements thereunder. Persons and entities trading in or otherwise purchasing, selling, or transferring the claims against or equity interests in the Debtors should evaluate this financial information in light of the purposes for which it was prepared. The Debtors are not liable for and undertake no responsibility to indicate variations from securities laws or for any evaluations of the Debtors based on this financial information or any other information.

Payment of Prepetition Claims Pursuant to First Day Orders

On the Petition Date, the Bankruptcy Court entered orders (the "First Day Orders") authorizing, but not directing, the Debtors to, among other things, (a) pay certain prepetition (i) liabilities related to the Debtors' use of cash collateral, (ii) obligations on account of certain working interest expenditures, joint interest billings and delay rental payments, (iii) employee wages, salaries and related items, (iv) taxes and certain governmental fees and charges, and (v) insurance obligations; (b) continue use of the Debtors' cash management system and (c) obtain other customary relief. If any payments were made on account of such claims following the commencement of the Chapter 11 cases pursuant to the authority granted to the Debtors by the Bankruptcy Court under the First Day Orders or otherwise, such payments have been included in this MOR unless otherwise noted.

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Liabilities Subject to Compromise

As a result of the chapter 11 filing, the payment of prepetition indebtedness is subject to compromise or other treatment under a chapter 11 plan. The determination of how liabilities will ultimately be settled or treated cannot be made until the Bankruptcy Court approves a chapter 11 plan. Accordingly, the ultimate amount of such liabilities is not determinable at this time. Further, the amounts currently classified as liabilities subject to compromise are preliminary and may be subject to future adjustments depending of Bankruptcy Court actions, further developments with respect to disputed claims, determinations of the secured status of certain claims, the values of any collateral securing such claims, rejection of executory contracts, continued reconciliation or other events..

Reservation of Rights

The Debtors reserve all rights to amend or supplement the MOR in all respects, as may be necessary or appropriate, but shall be under no obligation to do so. Nothing contained in this MOR shall constitute a waiver of any of the Debtors' rights or an admission with respect to the Chapter 11 cases.

Insiders

For purposes of this MOR, the Debtors defined "insiders" pursuant to the Bankruptcy Code as: (a) directors; (b) officers; (c) persons in control of the Debtors; (d) relatives of the Debtors' directors, officers, or persons in control of the Debtors; and (e) Debtor and non-Debtor affiliates of the foregoing. Moreover, the Debtors do not take a position with respect to: (a) any insider's influence over the control of the Debtors; (b) the management responsibilities or functions of any such insider; (c) the decision making or corporate authority of any such insider; or (d) whether the Debtors or any such insider could successfully argue that he or she is not an "insider" under applicable law, with respect to any theories of liability, or for any other purpose.

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COMPARATIVE BALANCE SHEETS
ASSETS
(\$ in thousands)

	Dec-17	Jan-18	Feb-18
Current assets:			
Cash and cash equivalents	\$ 430,783	\$ 422,101	\$ 416,560
Restricted cash	11,274	11,274	11,274
Accounts receivable:			
Joint interest and other receivables	13,097	13,368	10,268
Related party	2,600,683	2,601,055	2,601,274
Other current assets	38,644	36,226	33,168
Total current assets	<u>3,094,481</u>	<u>3,084,024</u>	<u>3,072,544</u>
Investments in associated companies	(2,732,255)	(2,733,215)	(2,732,936)
Oil and natural gas properties, net	917,690	910,892	905,528
Other property, net	2,502	2,390	2,279
Other assets	19,428	19,428	19,428
Total assets	<u>\$ 1,301,846</u>	<u>\$ 1,283,519</u>	<u>\$ 1,266,843</u>

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COMPARATIVE BALANCE SHEETS
LIABILITIES
(\$ in thousands)

	Dec-17	Jan-18	Feb-18
Current liabilities:			
Trade and other accounts payable	\$ 2,044	\$ 2,272	\$ 6,734
Accrued liabilities	18,789	17,812	15,361
Total current liabilities	20,833	20,084	22,095
Asset retirement obligations	16,598	16,814	7,559
Other long-term liabilities	1,577	1,551	1,525
Liabilities subject to compromise	3,220,284	3,223,563	3,224,540
Stockholders' equity:			
Common stock	296	297	297
Additional paid-in capital	4,239,746	4,240,723	4,236,131
Accumulated deficit	(6,197,488)	(6,219,513)	(6,225,304)
Total stockholders' equity	(1,957,446)	(1,978,493)	(1,988,876)
Total liabilities and stockholders' equity	\$ 1,301,846	\$ 1,283,519	\$ 1,266,843

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SCHEDULE OF POST-PETITION LIABILITIES
(\$ in thousands)

	Dec-17	Jan-18	Feb-18
Trade and other accounts payable	\$ 2,044	\$ 2,272	\$ 6,734
Accrued liabilities:			
Seismic and operating costs	10,596	10,645	7,489
Interest expense	4,715	4,896	4,896
General and administrative costs	1,521	1,522	2,292
AFE costs	1,203	749	684
Franchise and property taxes	754	-	-
Total long-term liabilities	18,175	18,365	9,084
Total post petition liabilities	<u>\$ 39,008</u>	<u>\$ 38,449</u>	<u>\$ 31,179</u>

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AGING OF POST-PETITION LIABILITIES
AS OF FEBRUARY 28, 2018
(\$ in thousands)

Days	Trade and Other Accounts Payable		Seismic and Operating Costs		Interest Costs	G&A Costs	AFE Costs	Other Liabilities		Total
	Payable	Costs	Interest	Costs				Liabilities		
1 - 30	\$ 3,734	\$ 7,489	\$ 4,896	\$ 2,292	\$ 684	\$ 9,084	\$ 28,179			
30 - 60	2,618	-	-	-	-	-	-			2,618
60 - 90	353	-	-	-	-	-	-			353
90 +	29	-	-	-	-	-	-			29
	\$ 6,734	\$ 7,489	\$ 4,896	\$ 2,292	\$ 684	\$ 9,084	\$ 31,179			

AGING OF ACCOUNTS RECEIVABLE
AS OF FEBRUARY 28, 2018
(\$ in thousands)

Days	Customer 1	Customer 2	Customer 3	Customer 4	All Others	Total
1 - 30	\$ 2,659	\$ 5,994	\$ -	\$ (325)	\$ (1)	\$ 8,327
30 - 60	-	-	-	-	-	-
60 - 90	-	-	-	9	-	9
90 +	1,556	-	337	-	39	1,932
	\$ 4,215	\$ 5,994	\$ 337	\$ (316)	\$ 38	\$ 10,268

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STATEMENT OF INCOME (LOSS)
(\$ in thousands)

	<u>Jan 2018 ⁽¹⁾</u>	<u>Feb 2018 ⁽²⁾</u>
Revenues	\$ 8,956	\$ 5,354
Operating costs and expenses:		
Seismic and operating costs	8,285	1,210
Dry hole costs and impairments	5,196	(5,918)
Lease operating expenses	1,482	808
General and administrative expenses	13,517	4,618
Accretion expense	274	(52)
Depreciation, depletion and amortization	9,071	4,050
Total operating costs and expenses	<u>37,825</u>	<u>4,716</u>
Operating loss	(28,869)	638
Other (expense) income:		
Other income (expense)	85	(118)
Interest income	602	369
Interest expense	(4,896)	(4,896)
Equity in (loss) income of subsidiaries	(1,871)	279
Reorganization expenses	(245,647)	(2,063)
Total other expense	<u>(251,727)</u>	<u>(6,429)</u>
Net loss	<u>\$ (280,596)</u>	<u>\$ (5,791)</u>

⁽¹⁾ The month of January 2018 includes activity from the Petition Date to, and including, January 31, 2018.

⁽²⁾ The month of February 2018 contains a correction of \$7.7 million to dry hole costs and impairments related to the finalization of the 2017 audit.

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CASH RECEIPTS AND DISBURSEMENTS
(\$ in thousands)

	<u>Jan 2018⁽¹⁾</u>	<u>Feb 2018</u>
Cash - beginning of month	\$ 430,783	\$ 422,101
Receipts:		
Collection of accounts receivable	6,927	9,901
Interest	385	369
Other	<u>11</u>	<u>3</u>
Total receipts	<u>7,323</u>	<u>10,273</u>
Disbursements:		
Payroll, payroll taxes and benefits	(2,590)	(5,677)
Seismic and operating costs/capex	(5,205)	(2,672)
Property taxes	(576)	(1)
General and administrative	(1,264)	(730)
Independent contractors	(386)	(451)
Intercompany funding	(330)	(199)
Other	<u>(2)</u>	<u>(12)</u>
Total disbursements from operations	<u>(10,353)</u>	<u>(9,742)</u>
Professional fees	(937)	(1,176)
Interest payments	<u>(4,715)</u>	<u>(4,896)</u>
Total disbursements	<u>(16,005)</u>	<u>(15,814)</u>
Net cash flow	<u>(8,682)</u>	<u>(5,541)</u>
Cash - end of month	<u>\$ 422,101</u>	<u>\$ 416,560</u>

⁽¹⁾ The month of January 2018 includes activity from January 1, 2018 to, and including, January 31, 2018.

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CASH ACCOUNTS RECONCILIATION
MONTH OF FEBRUARY 2018
(\$ in thousands)

Account type	Master	Payroll	Disbursement	Demand		Money Market	Proceeds	Account	Total
				Deposit/	Lockbox				
Bank name	Citibank	Citibank	Citibank	Wells Fargo	UBS	CP-41613 LJ	Societe Generale		
Account number	30940925	30940933	38875769	1250232368					
Bank balance	\$ 25,000	\$ -	\$ -	1	\$ 377,168	\$ 6,636	\$ 408,805		
Deposits in transit	7,780	3	-		-		-		7,783
Outstanding checks	(2)	-	(26)		-		-		(28)
Bank fees and interest	-	-	-		-		-		-
Adjusted bank balance	<u>\$ 32,778</u>	<u>\$ 3</u>	<u>\$ (26)</u>	<u>1</u>	<u>\$ 377,168</u>	<u>\$ 6,636</u>	<u>\$ 416,560</u>		
Cash - beginning of month	\$ 19,010	\$ 1	\$ (196)	1	\$ 376,800	\$ 26,485	\$ 422,101		
Receipts	3,146	3	-		368	6,756	10,273		
Transfers between accounts	24,816	-	184	-	-	(25,000)	-		
Intercompany transfers	(199)	-	-	-	-	-	(199)		
Checks/other disbursements	(13,995)	(1)	(14)	-	-	(1,605)	(15,615)		
Cash - end of month	<u>\$ 32,778</u>	<u>\$ 3</u>	<u>\$ (26)</u>	<u>1</u>	<u>\$ 377,168</u>	<u>\$ 6,636</u>	<u>\$ 416,560</u>		

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PAYMENTS TO INSIDERS AND PROFESSIONALS
(\$ in thousands)

	Jan 2018⁽¹⁾	Feb 2018
Timothy Cutt - salary	\$ 83	\$ 83
David D. Powell - salary	42	43
Jeffery Starzec - salary	40	40
Rich Smith - salary	35	35
William Utt - director fees	107	-
Jack Golden - director fees	69	-
John Hagale - director fees	74	1
Paul Keglevic - director fees	103	-
Jon Marshall - director fees	74	-
KWM Advisors LLC - director fees	69	-
Myles Scoggins - director fees	69	-
CIE Germany GmbH & Co. KG	-	1
CIE Germany Verwaltungs GmbH	-	6
CIE Angola Block 20 Ltd.	1	-
CIE Angola Block 21 Ltd.	320	192
CIE Mexico LLC	9	-
Total payments to insiders	\$ 1,095	\$ 401

	Jan 2018⁽¹⁾	Feb 2018
Moelis & Company LLC	\$ 155	-
Weil, Gotshal & Manges LLP	782	-
Wilmington Trust National Association	-	68
Akin Gump Strauss Hauer & Feld LLP	-	785
Wilmer Cutler Pickering Hale and Dorr LLP	-	323
Total payments to professionals	\$ 937	\$ 1,176

⁽¹⁾ The month of January 2018 includes activity from January 1, 2018 to, and including, January 31, 2018.

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Exhibit A
Schedule of Consolidated Disbursements
(\$ in thousands)

Entity	Case #	Jan 2018 ⁽¹⁾	Feb 2018
Cobalt International Energy, Inc.	17-36709	\$ -	\$ -
Cobalt International Energy GP, LLC.	17-36710	-	-
Cobalt International Energy, L.P.	17-36711	13,812	14,209
Cobalt GOM LLC	17-36712	-	-
Cobalt GOM #1 LLC	17-36713	2,193	1,605
Cobalt GOM #2 LLC	17-36714	-	-
Total disbursements		<u>\$ 16,005</u>	<u>\$ 15,814</u>

⁽¹⁾ The month of January 2018 includes activity from January 1, 2018 to, and including, January 31, 2018.